Automotive News

June 19, 1989

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NADA considers starting finance company

By Edward Lapham
AUTOMOTIVE NEWS STAFF REPORTER

The National Automobile Dealers Association and investment banker First Boston Corp. are studying a plan that could create a $2 billion finance company for NADA members.

The feasibility study was authorized by the NADA board of directors at its June meeting in New York last week.

"This is an opportunity to harness the horsepower of the entire dealer body," NADA President Ron Tonkin said. "The size would be staggering."

He said the finance company eventually could provide retail and wholesale financing plus capital loans to dealers.

He added that the study will determine if NADA can feasibly add another division, NADAF — for NADA Finance.

Tonkin, the outspoken leader who has confronted the factories on a variety of dealer-related issues since he took office in February, said the finance company would be a division of NADA, owned and operated by dealers.

It would be similar to the current $2.5 billion National Automobile Dealers Insurance Trust and the $1 billion National Automobile Dealers Association Retirement Trust.

No fireworks as NADA nominates leaders, Page 3

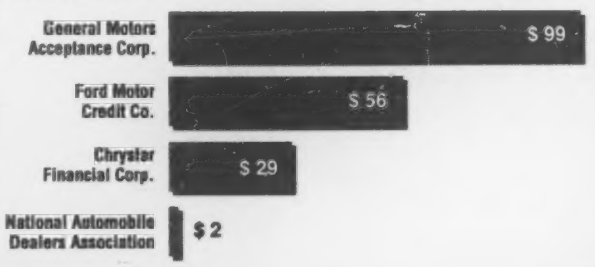
The financial horsepower would come from individual dealer investments, Tonkin said. A $3,000 investment by each of 20,000 dealers would yield $100 million in capital that could be leveraged at a 20-to-1 ratio, using a variety of financial instruments, he said. "That would give us $2 billion from day one."

By way of comparison, General Motors Acceptance

see FINANCE, page 50

Captive finance arms

Assets in billions.



Source: Automotive News figures.

MIATA

Mazda sports car priced at $13,800

By Jesse Snyder
AUTOMOTIVE NEWS STAFF REPORTER

Mazda Motor of America set a $13,800 base price for the 1990 MX-5 Miata two-seat convertible, establishing the sports car as "a symbol of Mazda's direction for the future."

The 2,180-pound vehicle will be marketed as an affordable sports car when it goes on sale July 1, positioned at the bottom end of the sports-car segment below the upscale Mazda RX-7, said George McCabe, deputy general manager and group vice president, sales and marketing for Mazda Motor of America.

Mazda ponders second channel for U.S., Page 6

But dealers may be poised to capitalize on the limited number of cars, only 20,000 for the balance of the calendar year, that Mazda plans to import. Eventually, the company is projecting annual sales of 40,000.

AUTOMOTIVE NEWS/JOE WILKINS

Yoshinori Taura, center, president of Mazda Motor of America, chats with designers and product planners at the Mazda MX-5 Miata teleconference.

Dealers contacted said they expect to get $1,000 to $2,000 over sticker for at least the rest of 1989 because of limited supply and high consumer interest. All were enthused about the $13,800 base price.

"We have 27 pre-sales with deposits," said Dan Powers, Mazda sales manager at Jim Finney Pontiac-Mazda-GMC in San Diego. "There's always one or two dealers that won't add a pack, but almost every Mazda dealer around has a lot of pre-sales. The prices are certainly within market values — there's nothing like it on the market."

Zivee Calof, Mazda sales manager at Alex Satin Oldsmobile-Mazda in Los Angeles, said, "The trend is for most dealers to put a pack on it. The phone is ringing off the wall about it already. The only problem is going to be getting enough of them."

see MAZDA, page 51

Jeep-Eagle dealers flay model sharing

By Mary Connelly
AUTOMOTIVE NEWS STAFF REPORTER

HIGHLAND PARK, Mich. — Angry Jeep-Eagle dealers, charging that Chrysler Motors management is diluting the Jeep image, have demanded a meeting with Chrysler Corp. Chairman Lee Iacocca.

The Jeep-Eagle National Dealer Council expects to meet with Iacocca within weeks, according to dealer sources.

The council will ask Iacocca to overturn a decision allowing sale of two Jeep-Eagle vehicles through the Dodge dealer network. The council will ask that the Eagle Premier sedan and the upcoming Jeep ZJ sport-utility vehicle remain exclusive to the Jeep-Eagle franchise.

In a recent interview, Chrysler Motors President Robert Lutz acknowledged the concerns of the Jeep-Eagle dealers, who had enjoyed an upbeat relationship with management since the 1987 purchase of American Motors by Chrysler.

Chrysler has said Dodge will sell a version of the Premier called the Dodge Monaco beginning in the mid-1990 model year.

In addition, Dodge will receive a version of the new "aero" Jeep Cherokee, code-named ZJ, when the sport-utility bows in 1992.

"The consensus of the dealer advisory board is to go to the man (Iacocca) and see if we can keep our products," said a dealer source. "Any dealer council would do this to protect its franchise. Any time you spread the butter, it gets thinner."

A Chrysler spokesman said he was unaware of any meeting scheduled between Jeep-Eagle dealers and Iacocca except the 1990-model announcement show in Reno, Nev., Aug. 18. But dealers said they have been told a meeting is planned, possibly in July.

Dealers are concerned about the sale of Monaco by Dodge, but they are particularly incensed over sharing the ZJ. The ZJ was initially developed at AMC as a replacement for the Cherokee. But in December, Chrysler approved a product plan calling for retention of the

see JEEP, page 50

Ford

The 23-mpg Mercury Grand Marquis and Ford Crown Victoria are 90 percent domestic now, but Ford will import 25 percent of the content in 1991.

CAFE crisis: Ford to count big cars as imports

By David Versical
AUTOMOTIVE NEWS STAFF REPORTER

DEARBORN, Mich. — Saying it is choosing the least onerous of options, Ford Motor Co. will boost the offshore content of two large car models to qualify them as imports under federal fuel economy rules.

The replacements for the current Ford Crown Victoria and Mercury Grand Marquis will have less than 75 percent North American content when they go into production in early 1991, said David Kulp, Ford's manager of fuel economy and compliance. That compares to about 90 percent currently, he said. As a result, some U.S. and Canadian suppliers will lose business.

Low fuel prices and strong sales for large cars in the face of increasing corporate average fuel economy standards are behind the move, Kulp said.

CAFE was rolled back to 26 mpg in 1986 by the Reagan administration and remained at that level until the current model year, when it was set at 26.5 mpg, 1 mpg below the congressionally enacted 27.5 mpg. The Bush administration has set CAFE at 27.5 mpg for the 1990 model year.

Under those rules, domestic makers divide their cars into two separate fleets: one for cars with at least 75 percent North American content, the other for those with less. The requirement is designed to prevent companies from using captive imports to meet CAFE and to encourage domestic small-car production.

Ford, for example, has an estimated 1989 model year fuel economy average of 26.6 mpg for its domestic passenger fleet, just 0.1 mpg over the standard, according to NHTSA figures. Its imported fleet has an estimated fuel economy average of 23.2 mpg for 1989.

The imbalance helped prompt Ford's decision to shift the Crown Victoria/Grand Marquis from the domestic side to the import side of the ledger.

The next-generation Crown Victoria and Grand Marquis, codenamed EN53, is scheduled to go into production in early 1991 at Ford's plant in St. Thomas, Ontario. The current

see FORD, page 52

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The clean air debate:

Presidents George Bush shaped the U.S. debate on air pollution last week. Stories on his proposal, how Brazil's alcohol fuel works, what Ford learned in Brazil, and the push in Europe for cleaner air are on Page 47.

NADA picks '90 slate, gives Tonkin confidence vote

By Jim Henry
AUTOMOTIVE NEWS STAFF REPORTER

NEW YORK — The National Automobile Dealers Association board nominated an unopposed slate of officers for 1990 and unanimously supported incumbent president Ron Tonkin in a vote of confidence at a board meeting here last week.

Tonkin immediately claimed the action of the 75-member board as an endorsement of his confrontational approach to relations with car manufacturers.

Ray Green, a Jacksonsville, Ill., dealer and NADA first vice president, was nominated as the sole candidate for the one-year term as president, virtually assuring his election in October.

Frank R. Anderson Jr. of Raleigh, N.C., the NADA treasurer, was nominated as first vice president, which puts him in line to succeed Green in 1991. Mark S. Herrmann of Yonkers, N.Y., Region I vice president, was nominated as secretary.

Tonkin hailed the unopposed slate of candidates as evidence of continuity at NADA, especially in contrast to his hard-fought struggle for the first vice president's post in 1987 against three other candidates.

"It's gotten back to me that the manufacturers are going around telling people that my views really don't represent the views of dealers in the country at large; that I won't be around much longer; that it'll all be over once I'm gone. Well, it's not going to go away that easily," Tonkin said, following the board meeting.

Tonkin, a Portland, Ore., megadealer with 14 franchises in 10 stores, said he was "overwhelmed by this mid-year, unanimous vote of confidence. I damn near fell over."

Tonkin said there was even some sentiment to draft him for a second term, "which would have violated the NADA by-laws and

see NADA, page 50

Rocky, a sport-utility vehicle, and a new four-door Charade join Daihatsu's 1990 lineup.

Rocky and 4-door lift Daihatsu's hopes

By Jesse Snyder
AUTOMOTIVE NEWS STAFF REPORTER

LOS ALAMITOS, Calif. — Daihatsu America will start marketing in earnest this fall with an expanded product line, said Executive Vice President C.R. "Dick" Brown.

A new four-door Charade, which gives Daihatsu a second body style for its car line, and the Rocky sport-utility vehicle will join the lineup in October.

"Now we can fill up a showroom," Brown said.

Brown has maintained that advertising only a three-door body style for Daihatsu's single subcompact Charade model is inefficient. The problem eased somewhat this spring when Daihatsu added an automatic transmission.

"Before, if your advertising brought four subcompact prospects into a showroom, two wanted a four-door sedan, one three-door buyer wanted an automatic and only one wanted what we had," Brown said. This fall "our advertising can be more effective. We and our dealers will be much more aggressive."

Daihatsu currently has 230 dealers in 12 Sun Belt states.

Initial shipments to dealers this fall will favor four-door models until supplies of both body styles are balanced. Daihatsu expects the mix of four-door and three-door Charades to be about equal, or about 10,000 units apiece if its export allocation stays at 20,000 a year.

But Brown thinks Daihatsu's fortunes will be improved even more by the arrival of Rocky, which as a light truck is not subject to Japan's car export quotas and is projected at 30,000 units a year.

Rocky is a little larger than the Suzuki Samurai and will be positioned above it and closer to the Suzuki Sidekick-Geo Tracker.

The U.S. Rocky is based on a new-generation Rocky II recently introduced in Japan.

Rocky's wheelbase is 85.6 inches with an overall length of 145 inches. Height is 67.7 inches. Overall width is 68.2 inches, including fender extensions that cover a 58-inch track widened for extra stability.

The two-door Rocky is powered by a 1.6-liter, four-cylinder, 16-valve engine that produces 100 horsepower and is linked to a five-speed manual transmission.

Rocky will be offered in soft-top and higher-trim-level hard-top styles. Both are attached to an integral, functional roll cage that runs across the top from the B-pillar. Both styles also have a removable top panel.

The fiberglass hard top is removable and has pop-out side glass panels, while the soft top has plastic zip-out side panels.

The four-door Charade sedan will have 1- and 1.3-liter engine options. The smaller engine will be available only with a manual transmission while the larger will be offered with manual or automatic.

GM signs licensing pact with Australia's Orbital

By Pedr Davis
SPECIAL CORRESPONDENT

General Motors, as expected, has signed a licensing agreement with an Australian firm for use of its two-stroke engine technology.

The agreement with Orbital Engine Co., a wholly owned subsidiary of Sarich Technologies of Perth, Australia, permits GM to manufacture, use and sell products worldwide incorporating the two-stroke engine technology invented by the Australian company.

The agreement specifies that the technology can be used in automobiles, trucks, motorcycles, along with aircraft, marine and industrial uses.

Meanwhile, Orbital Engine is expected to announce as early as the end of this month that it plans to build a U.S. manufacturing plant, probably in Michigan, with a consortium that would include Orbital Engine as well as one major auto company. It is expected that the plant will cost $250 million.

The licensing agreement between GM and Orbital Engine is similar to the one Orbital Engine signed with Ford Motor Co. late last year.

Though the companies would not reveal the financial details of the deal, it is believed to involve a multi-million dollar, up-front payment as well as royalties on each engine used. The royalties are believed to be on the order of $40 per unit.

GM would not discuss use of the Orbital engine. A GM spokesman said plans for the engine are not clear, but obtaining the licensing agreement guarantees the automaker the right to use the technology should the automaker decide to use it.

The licensing agreement with Orbital Engine comes on the heels of admissions by GM engineers that they have been unable to develop their own two-cycle engine that meets the more stringent emission standards expected in the future.

GM said work inside GM on two-stroke technology will continue despite the licensing agreement with Orbital.

Orbital Engine claims that its three-cylinder, two-stroke engine meets the more stringent emission standards being proposed for the United States.

According to Orbital, automotive applications have demonstrated emission level reductions of 30 percent for carbon dioxide, the primary culprit in creating the so-called greenhouse effect.

In addition, the technology also has demonstrated an 80 percent decrease in nitrogen oxide, 90 percent drop in carbon monoxide, and 50 percent decline in hydrocarbons, the Australian company has stated.

At the same time, because of the lower emissions, the engine probably would not require a catalytic converter, meaning the exhaust system would be less costly to produce. Rhodium is an expensive, precious metal used to make converters.

In addition to Ford and GM, Orbital Engine has full licensing agreements with Mercury Marine, Outboard Marine Corp. and Walbro Corp.

Orbital Engine said it plans to extend its licensing activities into Asia, Europe and Eastern Bloc countries.

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Fiat expects year-end decision on Soviet car

By Richard Johnson
AUTOMOTIVE NEWS STAFF REPORTER

TURIN, Italy — Fiat will decide by the end of the year whether to form a joint venture in the Soviet Union for co-production of the Soviet Oka minicar.

The venture would turn out 300,000 cars annually, about 60,000 to 70,000 for export to the West, according to Cesare Romiti, Fiat S.p.A. managing director.

The Soviet-designed Oka will be produced in a plant now under construction in Jelabuga, about 60 miles from Moscow.

The Soviets approached Fiat for assistance last September, citing ambitious plans to double Soviet Union auto output from the current 1 million units per year during the 1990s.

"We have negotiations ongoing," Romiti said in a meeting with a group of British journalists at Fiat headquarters.

Romiti said the plan calls for Fiat to "rationalize and industrialize" the Russian design, rather than develop its own car.

But he said Fiat insists that the car be up to the automaker's own standards.

Fiat sources said the arrangement would be similar to the Italian company's assistance in preparing the Soviet Lada Samara subcompact for production.

Although prototypes of the Oka exist, Romiti said the Soviets believe three to 3½ years will be necessary to produce the car in a Jelabuga plant.

Fiat has a long history of cooperation with the Soviet Union through licensing agreements. The Italian company built the Soviets' massive Lada vehicle complex in Togliatti during the 1960s.

But Romiti said the current negotiations are more difficult because of the Soviets' preference for joint ventures with the West.

"By the end of this year, we shall have to either adopt this deal or withdraw," he said.

Fiat would hold a minority share. Romiti said the company's investment would be limited to the equity capital necessary to acquire its stake.

"The Soviets are going to spend the money, not us," Romiti said.

The total cost is estimated at $1 billion to $1.5 billion. Romiti said Fiat's equity capital would probably be no more than $200 million, but he suggested that amount may give Fiat as much as 30 percent of the operation.

The Italian government will not be involved in financing the project, but will guarantee a return on investment, he said.

Romiti said Fiat's role in the Oka program would be limited to final assembly.

"We are not interested in participating in the production of the engine or mechanical parts or the foundry-related parts," he said. The involvement would include provision of manufacturing technology and equipment.

Romiti said the Oka would be of a "higher class" than the new minicar that Fiat will license for production at the FSM plant in Poland beginning in the early 1990s.

He also disclosed that the Polish-built minicar, widely referred to as Topolino, will be called Micro.

Though Romiti said the Oka would be in the same engine class as Fiat's aging 700-cc Panda mini, he said the Soviet car would not replace the Panda in Europe. He said Fiat is planning its own replacement.

AUCTION DIRECTORY

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Dealers Auto Auction of Oklahoma City, P.O. Box 75757, Oklahoma City, OK 73147. Sale every Thursday, 10 A.M. GMAC, Chrysler Credit weekly. 405-947-2886.

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PENNSYLVANIA

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Remember
Auction advertising builds auction traffic

Judge halts tax on auction sales

A district court judge has enjoined city officials in Commerce City, Colo., from levying a new tax — $10 for every vehicle sold at the Colorado Auto Auction.

The ordinance, passed last August by the City Council, calls for a $10 tax on the transfer of ownership of vehicles sold there.

"The ordinance relates directly to the auction activity," said Robert Gehler, attorney for Commerce City. "City officials felt there was an environmental impact on the city due to the number of cars parked at the auction. The excise tax was needed to offset any expenses incurred."

Colorado Auto Auction is fighting the ordinance in court on the grounds that it is unfair to single out a business for a special tax. Colorado Auto Auction is the only auction in the community.

"This is a tax on a dealer-to-dealer transaction," said Jeffrey Springer, who represents the auction. "Nobody else is subject to this tax. There is an issue of equal protection when only one business is singled out to pay a tax that benefits the entire city."

Springer also argued that the tax stifles interstate commerce. Since dealers buying and selling cars at the auction are indirectly subject to the tax, they may take their business elsewhere.

The auction began setting aside the $10 tax in an escrow fund after it filed the lawsuit. Gehler said there is about $200,000 in the fund.

Springer has asked Adams County District Judge Harlan Bockman to rule the ordinance unconstitutional.

Bockman recently denied a motion from the city to reconsider his injunction ruling. He said city officials shouldn't have used the charter's emergency ordinance procedures to approve the ordinance.

Now, city officials are using the regular ordinance approval process to pass it and have vowed to appeal Bockman's ruling.

Colorado Auto Auction is owned by Atlanta-based Manheim Auctions, a subsidiary of Cox Enterprises.

AUCTION BRIEFS

CHARLES THOMAS

Fire razes auction

The Greater Rockford Auto Auction is operating in a three-lane tent after a May 22 fire destroyed the auction's arena and its administrative offices.

Jimmy Clark, manager of the Rockford, Ill., auction, said the company sustained $1 million in damages after a car caught fire in the auction arena and the fire spread to the rest of the facility. There were no injuries.

The only building that remained standing was the three-stall reconditioning center. It now serves as the administrative offices for the auction.

Clark said the auction missed only two Wednesday sales before it reopened June 7.

The auction had about 400 registrations per week before the fire. That went to 500 vehicles when the auction reopened and is now back to 400.

The auction will rebuild and add one lane, giving it four. Completion is slated for October.

NAAA surveys dealers

Dealers surveyed by the National Auto Auction Association earlier this year said they visit an average of seven auctions each month.

More than 80 percent of those responding to the survey said they travel 100 miles to attend auctions, while 44 percent travel 100 to 500 miles.

Fifty-three percent of the respondents said they attend auctions to buy for retail sales while 24 percent visit auctions to track the shape of the markets and 23 percent attend them to sell or trade.

The ratio of domestic franchises to imports among the dealers surveyed was 3-1, with each dealer representing 2.4 franchises. As a group, the dealers said they average 85 used vehicles on their lots. Ninety-six percent of them retail used vehicles.

Business start

Donald B. Fowler has left his post as vice president and national sales director of GE Auto Auctions to start Performance Remarketing Specialists in Barrington, Ill.

The firm will offer automotive remarketing services, consulting and representation to financial institutions and leasing companies.

"The company grew out of the need of many small- and medium-sized businesses to profit in their back-end automotive endeavors," said Fowler. "Our services offer everything from back room setup and auction representation for our clients' cars to comprehensive reports on the financial gains resulting from our efforts."

AUCTION DATES

Chrysler Motors

June 20 — American Auto Auction, Walpole, Mass.; Arena Auto Auction, Chicago; Nashville Auto Auction, Nashville, Tenn.; Florida Auto Auction of Orlando, Ocoee, Fla.; Portland Auto Auction, Portland, Ore.; Riverside Auto Auction, Riverside, Calif.; and Greensboro Auto Auction, Greensboro, N.C.

June 21 — A.D.E. of Birmingham, Birmingham, Ala., and Butler Auto Auction, Gibsonia, Pa.

June 22 — Northway Exchange, Clifton Park, N.Y.; Aptco Auto Auction, Taylor, Mich.; Indianapolis Auto Auction, Indianapolis; Omaha Auto Auction, Omaha, Neb.; Southwest Auto Auction, Phoenix, Ariz.; Ark-La-Tex Auto Auction, Shreveport, La.; and San Antonio Auto Auction, San Antonio, Texas

June 23 — Manhiem Auto Auction, Manheim, Pa.

June 27 — Clanton's Auto Auction, Darlington, S.C.; Denver Auto Auction, Aurora, Colo.; Southern Auto Auction, Warehouse Point, Conn.; Hatfield Auto Auction, Hatfield, Pa.; South Seattle Auto Auction, Kent, Wash.; Golden Gate Auto Auction, Fremont, Calif.; and Dallas Auto Auction, Grand Prairie, Texas

Ford Motor Co.

June 20 — Greater Chicago Auto Auction, Chicago; Bay Cities Auto Auction, Hayward, Calif.; and South Seattle Auto Auction, Kent, Wash.

June 21 — Northway Auto Auction, Clifton Park, N.Y.; Albuquerque Auto Auction, Albuquerque, N.M.; and Indianapolis Auto Auction, Indianapolis

June 22 — Denver Auto Auction, Aurora, Colo.; Interstate Auto Auction, Mercer, Pa.; Minneapolis Auto Auction, Plymouth, Minn.; Nashville Auto Auction, Nashville, Tenn.; Southwest Auto Auction, Phoenix, Ariz.; Skyline Auto Exchange, Chandler, Ariz.; and 166 Auto Auction, Springfield, Mo.

June 27 — Newburgh Auto Auction, Newburgh, N.Y.

General Motors

June 20 — Southern Auto Auction, East Windsor, Conn.; Dallas Auto Auction, Grand Prairie, Texas; and Manheim Auto Auction, Manheim, Pa.

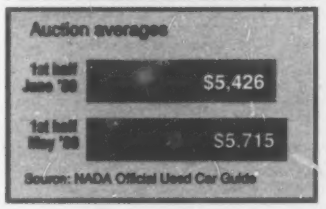
June 21 — Atlanta Auto Auction, Atlanta; Puget Auto Auction, Auburn, Wash.; Clanton's Auto Auction, Darlington, S.C.; Southern California Auto Auction, Fontana, Calif.; Mississippi Auto Auction, Hattiesburg, Miss.; and Omaha Auto Auction, Omaha, Neb.

June 22 — Mid Ark Auto Auction, North Little Rock, Ark.; Arena Auto Auction, Chicago; Ohio Auto Auction, Grove City, Ohio; St. Louis Auto Auction, Bridgeton, Mo.; and Utah Auto Auction, West Bountiful, Utah

June 27 — A.D.E. of Birmingham, Moody, Ala.; Harrisonburg Auto Auction, Harrisonburg, Va.; and Florida Auto Auction of Orlando, Ocoee, Fla.

June 28 — Indianapolis Auto Auction, Indianapolis; Metro Auto Auction of Kansas City, Lee's Summit, Mo.; Minneapolis Northstar Auto Auction, Shakopee, Minn.; and Golden Gate Auto Auction, Fremont, Calif.

Used car sales



Model breakdown

Year	1st half June 1989	1st half May 1989	1st half April
1989	$10,866	$11,850	$10,974
1988	7,985	8,657	8,207
1987	5,873	6,611	6,280
1986	5,170	5,613	5,419
1985	4,247	4,543	4,418
1984	3,457	3,657	3,693
1983	2,570	2,689	2,880
1982	2,057	2,155	2,135
Overall Average	$5,426	$5,715	$5,491

Source: NADA Official Used Car Guide

Brazil's ethanol crisis spurs rebound in gasoline engines

By Rik Turner
STAFF CORRESPONDENT

SAO PAULO, Brazil — Lines are forming in front of some filling stations here as motorists try to find a fuel that has grown scarcer.

Other stations display a sign: "Sorry, we're out of alcohol."

Meanwhile, Brazil may be faced with a gasoline surplus.

A decade after the first ethanol pumps were installed in Brazil's filling stations, the government is reining in the world's most ambitious initiative in alternative fuels.

Brazil's Proalcool program to substitute gasoline with anhydrous alcohol (ethanol) made from sugar cane has replaced gasoline in nearly 4 million of Brazil's 11 million vehicles.

But recent ethanol shortages, low oil prices and a continuing need for diesel fuel have forced the government to order a 28 percent cut in the production of alcohol-powered automobiles and an increase in the price of ethanol.

Earlier this month, Vicente Fialho, this country's mines and energy minister, ordered the auto industry to cut production of alcohol-powered cars. The decision will result in an equal number of alcohol and gasoline cars being produced, compared with the current 70-30 ratio favoring alcohol-powered vehicles.

Last November, 85 percent to 90 percent of the approximately 190,000 vehicles that General Motors do Brasil produced were ethanol-powered, according to a company spokesman. Today, that has dropped to about 65 percent.

Brazil's ethanol program, designed to reduce the country's dependence on imported oil, was launched in 1975. The program has cost $7 billion in subsidies for planting sugar cane and constructing distilleries, and it has generated fuel worth $27 billion, Fialho said.

But Proalcool has caused monumental headaches for Petrobras, the state oil monopoly. This year's reduced cane crop and higher world sugar prices, which stimulated exports, provoked scenes reminiscent of the oil crisis days in the United States.

According to the Sao Paulo Sugar Producers Cooperative, the alcohol equivalent to a barrel of gasoline costs around $31 to produce. For alcohol to be competitive, the cooperative concluded that world petroleum prices need to be around $24 a barrel.

Current spot prices are in the $18-$20 range.

Ethanol is less efficient than gasoline, and it is more corrosive, requiring a stainless steel fuel system. When it launched the program in the 1970s the government provided incentives to buy alcohol-fueled cars: tax exemptions and a ceiling on ethanol prices, leveled at 65 percent of the price of gasoline. But that ceiling has already been broken as the price hit 70 percent of the price of gasoline.

Furthermore, ethanol replaces only gasoline — not other oil derivatives. Eighty percent of all Brazilian freight is shipped by truck so the demand for diesel fuel has continued to be high, requiring crude oil to be imported and refined.

A byproduct of the diesel refining process is gasoline. Thus Petrobras has a surplus of the fuel.

Petrobras has chalked up handsome sales in recent years, exporting 100,000 barrels of gasoline daily to the United States. The problem, according to the superintendent of Petrobras' industrial department, will come when the company plans to expand.

Petrobras wants to double its petroleum production and refining capacity by 1995, making Brazil virtually self-sufficient in oil. So Petrobras faces an increasing gasoline surplus and difficulty increasing sales to the competitive U.S. market.

Industry awaits details of air plan

By Arthur Flax
AUTOMOTIVE NEWS STAFF REPORTER

WASHINGTON — Automakers are awaiting details and deadlines that will flesh out President George Bush's dramatic new initiative to clean America's air.

Bush last week proposed to tighten tailpipe emissions standards and to have the manufacturers make a half million methanol-powered vehicles in 1995 and a million a year by 1997.

Automakers may be forced to commit to new product programs as early as this year.

The proposal will speed the development of alternative fuel vehicles and force filling stations to fuel the cars.

While auto executives generally praised the president for a flexible plan, they are anxiously awaiting the timetables. Detailed legislation could be submitted to Congress within two weeks.

In an industry that takes years to bring a new product to market, the deadlines are critical, and Bush provided few of them.

"Four or five years is the typical lead time for a new gasoline vehicle," said Richard J. Wineland, senior research engineer for alternative fuels engine research at Ford Motor Co. "For an alternate fuel vehicle, you have to tack a couple years on top of that. So if you are talking about building our share of 500,000 vehicles by 1995, that decision has to be made today. Has Ford made it? No. Are we looking at it? Yes."

The Big 3 and major foreign makers already have vehicles that can run on methanol or other alcohol fuels, but they prefer a more limited pilot program to study the introduction of such vehicles to the marketplace.

Many in the auto industry adopted a can-do reaction to Bush's challenge.

Fred Schaafsma, chief engineer at Chevrolet, said, "I know that some of these alcohol fuels are going to be sold. And I know that the president sort of left it up to the economy to decide how it goes. But no matter how it goes, we're going to be ready."

Bush proposed that the limit for hydrocarbon emissions for light trucks be cut roughly in half. That could pose a problem for Chrysler Motors, which holds more than half of the domestic minivan market.

But Albert Slechter, Chrysler Motors' director of federal government affairs, said the challenge of meeting a stricter hydrocarbon standard for the minivan would be "another chore, but not out of the question. We would have to add it to the list of things we have to do."

In his address last Monday, Bush did not specify how customers will be encouraged to buy alternatively fueled vehicles and how the infrastructure to deliver such fuels will be built.

The Environmental Protection Agency is reviewing the details of the administration proposal. EPA officials said the legislation may be delivered to Congress in about two weeks if it is not delayed by the Office of Management and Budget. The President called for his clean air legislation to be passed this year.

The President proposed a 10-year plan to introduce vehicles that run on alternative fuels in the nine urban areas with the worst ozone pollution. (See chart.)

Ozone, the major component of smog, can cause or exacerbate breathing problems. It is formed when nitrogen oxides and hydrocarbons react with sunlight.

Bush's clean air plan also covers other industries, including the electric utility industry.

The National Association of Fleet Administrators cautiously praised Bush's proposal, but said it was short on specifics.

In a statement, Frank W. Kraus, the group's past president, said the administration's clean air proposal may be more workable than other alternative fuel legislation now before Congress.

The president's proposal also calls for tighter vehicle tailpipe emission standards. Two bills already under hot debate in the House of Representatives focus on tighter tailpipe emissions.

Bush's plan calls for:

- Hydrocarbon emission standards to be tightened from .41 grams per mile to .25 gpm.
- Emissions of nitrogen oxides to be cut from 1.0 gpm to 0.7 gpm.

Bush proposed that light-duty trucks, which for the purposes of the Clean Air Act presumably include minivans, pickups and sport-utilities, would have to meet the same hydrocarbon emission standard — .41 gpm — now required for automobiles. The current light-truck standard is .8 gpm.

Bush's plan would allow an automaker to "trade emissions" with another, which might give some flexibility for nonconforming vehicles if other vehicles are below the standards. But those provisions have yet to be defined.

Bush sees a clean future

President George Bush announced his plan for clean air June 12. These are the major provisions affecting automakers and the fuel industry:

- Light trucks meet car-emission standards
- Hydrocarbon emissions reduced for cold weather starts and idling engines

- Sales quotes for alternative fuel cars:
  1995 - 500,000
  1996 - 750,000
  1997-2004 - 1,000,000
- Alternative fuel required in 9 polluted areas: Los Angeles, Houston, New York City, Milwaukee, Baltimore, Philadelphia, Connecticut, San Diego, Chicago

- Vapor catchers on gas pumps
- Less evaporation from gas tanks and fuel lines
- Less volatile gasoline in summer

Source: Automotive News research.

AUTOMOTIVE NEWS / C. BEEVER

U.S. can learn from Ford work in Brazil case

By David Versical
AUTOMOTIVE NEWS STAFF REPORTER

DEARBORN, Mich. — Roberta Nichols believes the U.S. auto industry can learn from Brazil's experience as it faces the prospect of selling half a million alternative fuel domestic vehicles in 1995.

But Nichols, principal research engineer of Ford Motor Co.'s engineering staff, said one difference is that the United States doesn't have a dictator who can guide consumers into alternatively powered cars.

In 1975, Brazil began shifting from gasoline to ethanol made from sugar cane. Ford of Brazil and other automakers faced their share of challenges, Nichols said.

Their task was simplified because Brazil had no emissions standards, but they did have to make changes in the fuel system. Ethanol, like the methanol that would be used in the United States, is more corrosive than gasoline, so automakers had to develop new, corrosion-resistant materials.

The company also added larger fuel tanks to its fleet because cars powered by ethanol or methanol require more fuel per mile than gasoline-powered cars.

The methanol challenge will be doubly difficult in the United States. Methanol is even less energy-intensive than ethanol, and current vehicles provide little room for a larger fuel tank.

Two concerns about alternative fuels are motivating people to buy the cars and availability of fuel.

In that respect, Brazil had an edge.

"I'm not advocating a dictatorship, but in some situations it does have its advantages," Nichols said.

Brazil's government encouraged the use of ethanol by allowing three-year financing on the purchase of ethanol-powered cars. Loans on gasoline-powered cars had to be paid back within a year.

Gasoline stations were closed on weekends, Nichols said, but ethanol stations were open all week.

Such steps promoted a quick transition, Nichols said. Ford of Brazil produced its first ethanol vehicle in 1979; seven years later, 99 percent of its cars and 85 percent of its trucks ran on the fuel.

But there were growing pains.

Some water naturally exists in ethanol without affecting performance, Nichols said. When some unscrupulous service station owners discovered this, they added water of their own.

Europe heads for U.S.-level emission rules

By Jean-Jacques Renaux
STAFF CORRESPONDENT

LUXEMBOURG — The ministers of environment of the European Community voted to impose U.S.-like exhaust emissions standards on small cars by the end of 1992, bringing those requirements in line with tighter limits that had been proposed earlier for larger cars.

The short timetable, if approved by the full European Commission, will force carmakers and suppliers to invest in crash programs to develop or buy fuel injection systems and three-way catalysts, which control hydrocarbons, carbon monoxide and nitrogen oxides.

The tougher rules cover cars with engines of less than 1.4 liters — an estimated 60 percent of cars in Europe. Some automakers condemned the three-year deadline as unrealistically short; at the same time, some were pleased a decision had ended uncertainty.

After a two-day debate, 10 of the 12 member states voted for the new standard June 9. Greece and Denmark voted no; they wanted more stringent standards.

The new standard limits carbon monoxide emissions to one-third of the current limit. The limit for combined hydrocarbon and nitrogen oxide emissions will be cut 74 percent.

The ministers also decided that any country may promote the new standard with tax incentives to buyers before the compulsory dates. The incentives can pay for up to 85 percent of the cost of the required new emissions components on new cars.

Those incentives will expire when the standards become mandatory — July 1992 for any new model introduced and Dec. 31, 1992, for all new cars.

The Council of Environmental Ministers also said the European Commission will take up new emission proposals by year's end as part of a plan to add a new highway test procedure.

Many carmakers were relieved by the small car decision, because it ends years of uncertainty.

But some still worry because the decision to take up revisions later this year could lead to more legislation within two years.

Renault, the state-owned French automaker, welcomed the decision but said the short lead time might make it difficult to get the right supply of fuel injection systems and catalysts in time.

FINANCE

FROM PAGE 1

Corp. reported that on Dec. 31, 1988, it had $99.04 billion in total assets. Ford Motor Credit Co. had $56.28 billion in total assets, and Chrysler Financial had $28.75 billion.

GMAC, with $7.1 billion in equity, was leveraged 12.7 to one. Ford Credit had $4.26 billion in equity and was leveraged 12.2 to one. Chrysler Financial reported $2.63 billion in equity and was leveraged 9.9 to one.

William R. Battey Jr., a First Boston director identified by Tonkin as the project head, declined to be interviewed.

Tonkin acknowledged that even $2 billion would dwarf in comparison to GMAC, Ford Credit and Chrysler Financial. "It would be a starting point" he said. "If dealers use the services, it would grow very rapidly."

He said the objectives of such an NADA finance company would be to guarantee retail and wholesale financing for all NADA members, particularly "multi-line dealers who are at the mercy of captive finance arms," as well as make money for the dealer investors. It also would likely make money for NADA.

"There is a sword, or threat, hanging over the heads of dealers that somebody could pull their financing. You might have financing for one (franchise), but if you've got seven or eight, there's no guarantee a captive can't come along and say they'll only handle their products," Tonkin said

"This isn't happening currently, but you never know what tomorrow will bring."

He conceded that some factory officials might consider the feasibility study an NADA attempt to gain bargaining leverage in disputes with the factories.

"We're not looking for leverage, we're looking for profit opportunities," Tonkin said.

But he again criticized the factories for takeaways.

"If we can't make a buck because of decreased warranty allowances and we can't make a buck because we have to pay for their advertising and we can't make a buck because there's no 5 percent carryover allowance and we can't make a buck because we have to buy all the expensive data processing equipment — we'll just have to find another way," Tonkin said.

Tonkin, a multi-franchise dealer in Portland, Ore., conceded that not every dealer is in a position to invest $5,000, but that many others — like himself — would want to invest more than $5,000.

He said finance income has become an important profit center in every dealership. Since dealers generate that finance income for themselves and their factories' finance arms — as well as banks and other finance companies — and know the business, a dealer-owned finance company makes sense.

"Ultimately, we could handle all finance needs, including capital loans," Tonkin said. "We have close to 21,000 members. There are about 4,000 dealers who are not members of NADA, but I guarantee you, if we can do this, all the dealers would join NADA in a hot second."

The NADA board last week appointed a committee of state NADA directors to investigate the NADAF possibility. Ramsay H. Gillman of Houston, the new South Texas director, is chairman. Other members are Bob Brest of Lynn, Mass.; C. William Briggs of Minneapolis; Robert J. Maguire of Bordentown, N.J.; and Larry Crnkovich of Idaho Falls, Idaho.

Automotive News Staff Reporter Jim Henry in New York contributed to this report.

NADA

FROM PAGE 3

a lot of other things."

Tonkin threw down the gauntlet early in his tenure, establishing the Rough Riders dealer group to oppose "take-aways" and "cost-passing" by the factories at the expense of dealer profits. The issue of fleet subsidies is at the top of Tonkin's hit list.

Among his other complaints are General Motors' cancellation of the 5 percent carryover allowance, dealer improvement programs that interfere with a dealer's independence and factory-run customer satisfaction indexes that are used to determine if a dealer will continue to hold a franchise.

As for the Rough Riders' rocky start, Tonkin said several dealers who were named in the initial announcement and balked at their names being used without permission have reconsidered and joined the fold.

Last Thursday Tonkin said there were "nearly 500" Rough Riders, and he predicted there would be "almost 1,000" by the end of July.

"There are several things I've been trying to do to unite the dealers, and the Rough Riders is one. The Rough Riders are doing far better than my wildest dreams," Tonkin said.

Green, Tonkin's likely successor, has been a new-car dealer since 1958. He was NADA secretary in 1987; vice president of region 3 in 1985-1986; and trustee of the dealer election action committee and national fundraising chairman in 1988.

Green chaired the dealership operations committee in 1983-1984. Green serves on several committees including building, industry relations, Project 2000 and as NADA/American International Automobile Dealers Association liaison.

A former chairman of the Toyota line group, Green also has franchises with Chevrolet, Mazda, Volkswagen, Audi, Porsche, Jeep-Eagle and Yugo.

Green

The nominee for first vice president, Anderson, is president of Sir Walter Chevrolet in Raleigh, N.C. He has been a franchised new-car dealer since 1970.

Anderson is chairman of NADA's finance committee and serves on the building committee. He is executive committee liaison to the policy and by-laws committee, and he has served on several committees including governmental relations, public affairs, finance, policy and by-laws, and building.

Herrmann, the nominee for secretary, has been a dealer since 1967. His franchises include Buick, Subaru and GMC Trucks. He serves on the nominating committee and is executive committee liaison to the public affairs committee. Herrmann is also advisor to the Automotive Consumer Action Program for NADA Consumer Affairs. He originated the Greater New York Automotive Consumer Action Program.

Mercedes doffs its kid gloves

Soft-sell image ads dumped as dealers ask for hard-hitters

By Laura Clark
AUTOMOTIVE NEWS STAFF REPORTER

In response to pressure from its dealers, Mercedes-Benz of North America is changing its advertising from soft-sell image ads to a hard-hitting, fact-oriented campaign.

The first of the new breed of Mercedes ads appeared last month with the message, "Take a look at one now." It is a retail-oriented campaign funded partly by Mercedes dealers. It will be followed by a brand campaign for Mercedes' 1990 models that will break in July and will speak more directly to consumers.

"We are going to be talking about Mercedes-Benz and what makes Mercedes-Benz stand out above the rest," said Will Metzger, executive vice president and management supervisor on the Mercedes-Benz account at McCaffrey and McCall in New York.

The change in tone resulted from pressure by Mercedes dealers on the importer and McCaffrey and McCall. Dealers, who have watched Mercedes sales drop 19 percent in 1989, asked Mercedes to give them harder-hitting ads that would bring customers into the showroom.

Neither campaign will mention other car companies or other models, a tactic several Mercedes' competitors have used. Buick and BMW have shown Mercedes models in their national advertising. The Southern California Acura dealers call the Acura Legend "A Mercedes-Benz replacement part."

"Mercedes-Benz is taking the higher road," said Kent Sednaoui, senior vice president and management supervisor on Mercedes-Benz dealer advertising at McCaffrey and McCall.

Mercedes will present a series of statistics from surveys and automotive enthusiast magazines that laud Mercedes-Benz models. In the past, Mercedes has presented facts in print or television with a beauty shot of a car driving down a road. The new retail campaign takes a more direct approach by using several spokespersons to deliver the facts, Metzger said.

The television spots begin by showing a question on the screen. One ad asks, "Is satisfaction luxury?" A young, professional woman appears on the screen talking about Mercedes-Benz's repeat buyer statistics.

"You know, it's one thing to love a luxury car the day you buy it. But . . . later?" says the spokeswoman. "Yet just last year, more Mercedes-Benz owners said they'd buy another (Mercedes) than the owners of any other make sold in America."

Another ad addresses resale values and yet another presents the option of leasing.

All television commercials show the spokesperson at the beginning of the spot and close with a full view of a Mercedes. Print ads show the spokesperson and the car. Radio ads are similar to the voiceovers in the television spots.

To start the campaign with a punch, Mercedes purchased several spots on network television. The rest of the campaign will run locally and will be funded by Mercedes and its 250 dealer groups through its advertising co-op program. Mercedes-Benz contributes $100 to $125 per car in a dealer matching program instituted in the 1988 model year.

The new national brand commercials will begin airing in July to introduce Mercedes' 1990 lineup but will not be a "call to action" campaign like the current dealer pitch. Spots like the 1989 television ads showing German and American businessmen driving on the autobahn in a Mercedes at high speed will be replaced by ads that are "a lot more direct and hard-hitting," said Metzger.

"Those type of ads were perfect for the market at the time; but the market has changed and those kind of ads are not hard-hitting enough for today's competitive environment," he said.

Mercedes is launching its dealer and corporate campaigns just as consumers are beginning to see advertising for Toyota's Lexus and Nissan's Infiniti luxury cars, which are aimed squarely at Mercedes' market. Metzger and Sednaoui said the introduction of those cars is not solely responsible for the change in Mercedes advertising.

The new corporate campaign will continue to use the themeline "Engineered like no other car in the world." The dealer campaign uses "Like no other dealers in the world" as its primary themeline with "Take a look at one now" as the secondary theme.

JEEP

FROM PAGE 1

present Cherokee into the next decade and production as well of the more aerodynamically styled ZJ.

Sale of the ZJ by Dodge is a threat to Jeep's strong image and identity in the market, protesting dealers claim, and will undermine the brand by confusing buyers.

"We feel ZJ should be kept by Jeep. It would bring down the Jeep nameplate. It represents a threat to Jeep-ness," the source said.

Following Chrysler's acquisition of AMC in 1987, Chrysler senior management said it would not sanction badge engineering, the use of different nameplates on the same basic vehicle.

"Their position has changed 180 degress in two years. This is badge engineering," said a Jeep-Eagle dealer. "That's why we want to sit down and talk."

The Dodge version of the ZJ will have exterior cosmetic changes to differentiate it from the Jeep vehicle, a dealer source said. The changes include body side moldings, taillamps, headlamps and possibly colors.

Drivetrains and powertrains will also differ. Powertrain decisions have not been finalized, but it has been decided that Jeep will receive the more powerful powerplants.

The dealer source said Chrysler is considering mounting a 4.5-liter six-cylinder engine in the Jeep ZJ and using the current Cherokee's 4-liter six in the Dodge version. Also under consideration is use of Chrysler's new 3.3-liter V-6 and possible development of a V-8, the source said.

It has also been determined that Dodge will not receive the Jeep four-wheel-drive system, the source said.

The production ZJ will be similar to this vehicle, displayed on the auto show circuit earlier this year.

AUTOMOTIVE NEWS-JOE WILSSENS

"Dodge will either develop a new one or use what it has today," the source said.

Jeep-Eagle dealers are concerned that Dodge will cannibalize Jeep sales and encroach on the bottom end of the Jeep market.

"We're looking two or three years down the line and where Jeep will be in the public eye," the source said.

"If we don't get the customer into our store and tell him the differences in the vehicle, he will never know. The customer will get a clone of the Jeep but without the componentry."

Jeep-Eagle dealers have told Chrysler management that Jeep dealers could sell the anticipated production capacity of 200,000 ZJ units annually.

National dealer council representatives have met with Chrysler Motors Chairman Bennett Bidwell and Lutz in an effort to overturn the product decisions.

At those meetings, Chrysler management reportedly said that even prior to the AMC purchase, the company had planned to offer through Dodge a 4wd sport-utility in the 1990s.

A source said that Chrysler management claimed it is too costly to develop and produce two separate sport-utility vehicles.

Lutz recently acknowledged Jeep-Eagle dealer concerns during a discussion of the Dodge Monaco.

The Monaco will differ from the Premier through use of a distinctive Dodge grille and other Dodge-specific trim such as taillamp applique, two-tone paint treatment and wheel trim.

"Obviously, the Eagle dealers would have preferred to keep the car exclusive to them," Lutz said. "We have had a lot of very frank discussions about it with the Jeep-Eagle dealer council. In the final analysis, while they didn't like the decision, they could understand the need for it."

Chrysler is offering the Dodge Monaco to increase production at its Bramalea, Ontario, assembly plant, which has an estimated annual production capacity of 200,000 units. Chrysler produced 19,909 Premier cars at Bramalea from Jan. 1 to June 10, 1989.

In addition, when Chrysler acquired AMC in August 1987, it agreed to sell at least 300,000 Premiers between 1988 and 1992 or pay a penalty to Renault, which supplies Premier componentry.

"Any plant that just sits there with partial capacity utilization represents some financial drain and, worse yet, a plant can't really keep itself efficient if it's operating at a very low capacity utilization level," Lutz said. "It's just like using your muscles. There are all kinds of good reasons to (offer a Dodge version) and get the capacity utilization up."

Mercedes battles 'bad-faith' penalty in parts theft

By Jim Henry
AUTOMOTIVE NEWS STAFF REPORTER

NEW YORK — Mercedes-Benz of North America has asked a federal court in Los Angeles to set aside $4.5 million in damages a jury assessed against Mercedes-Benz for "bad faith" in a case against Hartford Accident and Indemnity Co.

And Hartford has filed a similar request to set aside $100,000 in breach-of-contract damages awarded to Mercedes-Benz in the complex case.

Mercedes-Benz filed suit against Hartford in 1986, alleging Hartford had improperly failed to pay Mercedes-Benz about $700,000 in claims in connection with the theft of parts from its La Mirada Parts Distribution Center in California from 1977 to 1982.

Mercedes-Benz, based in Montvale, N.J., said the parts were stolen by five employees who were covered by a "fidelity bond" purchased by Mercedes-Benz as insurance against theft by insiders.

Based on its investigation into the insurance claim, Hartford countersued Mercedes-Benz for "bad faith" for concealing key facts and documents from Hartford, including evidence that Mercedes-Benz had suspected one of the five employees as early as 1979, but took no action.

That suspicion, which was documented in the employee's personnel file, should have invalidated the "fidelity bond" that Mercedes-Benz cited in suing Hartford with respect to that one employee, said Robert N. Block, one of the Los Angeles attorneys who represented the insurance company.

Block said the five employees were arrested in 1982 in connection with the theft of about $2,000 worth of parts. They pleaded guilty to misdemeanor theft and were placed on probation. Their records were expunged after they completed their probation, Block said.

But in the Hartford lawsuit, Mercedes-Benz attempted to attribute several hundred thousand dollars' worth of parts disappearances to the group, he said.

In its May 25 verdict, a six-member federal jury awarded Mercedes-Benz $100,000 in damages in connection with the parts thefts, but socked Mercedes-Benz with $4.5 million in punitive damages and $5,000 in compensatory damages.

In its petition to set the verdict aside, Mercedes-Benz argued that the punitive damages were "excessive" and alleged several technical errors in the seven-week trial. In the absence of a directed verdict issued by Judge A. Wallace Tashima, Mercedes-Benz asked for a new trial.

A hearing has been set for July 17 on the motions of both parties to set aside the verdict, Block said.

Sales rise, but cars are weak

By Philly Murtha
AUTOMOTIVE NEWS STAFF REPORTER

Retail sales of new U.S.-built cars and light trucks in the first 10 days of June crept ahead of last year's equivalent 10-day period by 1.02 percent.

Early-June deliveries totaled 317,619 units, compared to 314,417 in 1988. Both periods had nine selling days.

Car sales were weak both years. The eight U.S. carmakers delivered 201,248 units compared to last year's depressed count of 198,647, when most incentives had been reduced. This year's increase was 1.31 percent, or 2,601 units, despite stronger incentives.

Truck sales were good in both 10-day periods. The four U.S. truckmakers reported a gain of 0.52 percent on deliveries of 116,371 compared with 115,770 in early June last year. General Motors and Chrysler Motors were up while Ford Motor Co.'s light-truck deliveries lagged. Transplant Nissan reported the biggest 10-day loss.

The car situation was different: Ford's sales were up and GM's were down slightly. Among the Big 3, Chrysler's U.S.-built car sales fell the most from last year's comparable 10-day total. Nissan was the only transplant to report a major 10-day slide.

In the first 10 days of June, Ford delivered 5.21 percent more domestic cars than it did in the comparable 1988 period. At Ford Division, Mustang and Taurus sales improved and Probe sales more than doubled. Mercury's Topaz, Sable and Tracer were stellar sales performers. Extended incentives bolstered Continental, Lincoln and Mark VII deliveries, too.

GM sold 0.70 percent fewer cars than in the equivalent year-ago period, but four of its five divisions reported gains. Chevrolet's new-car sales climbed 11.33 percent. Only Oldsmobile sold fewer cars; its 10-day deliveries dropped 18.61 percent from last year's.

All Chrysler Motors division sold fewer cars this year, but the Dodge dip was minimal — only 20 units.

Among the transplants, Toyota sold more than three times as many U.S.-built cars as it did in the same period last year. Sales of domestically produced Civics were responsible for most of Honda's 16.38 percent increase.

Mazda sold 9.88 percent more U.S.-built MX-6s this year; the gain was 60 units. Nissan reported a drop of 45.91 percent in early-June domestic car sales, although its year-to-date sales of U.S.-built Sentras are up. Mitsubishi, which was not building cars at the Diamond-Star plant in Normal, Ill., last year, sold 835 Eclipses in early June.

DOMESTIC CAR SALES

	June 1-10, 1989	June 1-10, 1988
Eagle	1,246	1,342
Chrysler	5,373	6,698
Plymouth	7,094	7,508
Dodge	12,211	12,231
Chrysler Motors	25,924	27,779
Ford	40,755	39,949
Mercury	13,972	12,622
Lincoln	6,780	5,890
Ford Motor Co.	61,507	58,461
Buick	13,678	13,323
Cadillac	5,075	4,818
Chevrolet	44,052	39,570
Oldsmobile	16,603	20,399
Pontiac	22,700	22,611
General Motors	100,017	100,721
Volkswagen	—	917
Honda	7,788	6,692
Nissan	1,308	2,418
Toyota	3,202	1,052
Mazda	667	607
Mitsubishi	835	—
U.S. Car Total	201,248	198,647

Mack goes outside for president

Reins leaves supplier to take truck post; Curcio still chairman

By Joseph Bohn
AUTOMOTIVE NEWS STAFF REPORTER

Ralph Reins, senior vice president of ITT Corp. and president of ITT Automotive in Troy, Mich., has been named president and chief operating officer of Mack Trucks in Allentown, Pa.

Reins will be elected to Mack's board of directors Wednesday, exactly nine years after John B. Curcio was named president and chief operating officer of the company.

Curcio has been chairman, president and chief operating officer of Mack since 1983. In an interview, he said it was normal for major corporations to have at least a two-man team at the top.

With Reins running the company on a day-to-day basis, "I intend to spend more time on the strategy and planning side of the business, without worrying day-to-day how things are going at a given manufacturing plant," Curcio said.

"I also intend to spend more time than I've been able to with our field organization, our distributors and customers. It's difficult to do that when you have to look after the store all by yourself," he added.

During the past five years, Mack has been restructured, Curcio said. It closed some older facilities and opened its new Winnsboro, S.C., plant. It also added major new vehicle lines, engines and other truck components.

Curcio

Reins

With its $500 million capital investment program completed, the company is starting a new five-year program. "We felt the timing was right to make an addition to the team," Curcio said.

He said Mack began its search for a president a year ago. Reins was selected because of his strong operating experience, technical background in engineering and manufacturing and international experience.

"The truck industry is so globalized today. In order to understand the worldwide competition, as well as the material and supply side, you need someone with a good understanding of the international marketplace," Curcio said.

Reins has 25 years' automotive experience, 17 of them in the heavy-duty truck segment. He began his career in 1963 with General Motors, moved to Rockwell International in 1973 and has served in Rockwell's North American and European automotive operations.

In 1980, he became vice president and general manager of Rockwell's axle division, and in 1982, he was named president and general manager of Rockwell's on-highway operations, an officer of the corporation and a member of the corporate management committee.

He joined ITT Corp. in 1985 as president and chief executive officer of ITT Automotive and was named senior vice president of the corporation in 1987. ITT Automotive produces a wide variety of automotive components, ranging from windshield wiper systems to anti-lock brakes.

Curcio pointed out that "when you bring in a chief operating officer you're also bringing in someone who hopefully will someday succeed the CEO."

Curcio is 55; Reins is 48.

Although Curcio does not have retirement plans, he said he considered that a "good age spread" to set up a future succession. Curcio said there are no plans to name any additional top-level people to new jobs at Mack.

OBITUARIES

Joseph G. Pais

WEST PALM BEACH, Fla. — Joseph G. Pais, 79, retired director of personnel for Cadillac, died May 17. He began a 47-year career at General Motors as an hourly worker in 1925. His son, Donald A. Pais, is vice president of GM's materials management staff.

Rudolf Uhlenhaut

STUTTGART, West Germany — Rudolf Uhlenhaut, 82, former head of car development at Mercedes-Benz, died May 8. He retired in 1972 after 41 years with Mercedes. In the late 1930s, he led the automaker's Grand Prix race team and helped develop its Silver Arrow race cars.

Robert Carter

OAKVILLE, Ontario — Robert Carter, 47, general counsel and secretary of Ford of Canada, died of a heart attack May 24. A 12-year veteran of Ford, he was appointed to his last job in March 1986.

Henry B. Cutler

BOSTON — Henry B. Cutler, 80, retired owner of Cutler Buick in Cohasset, Mass., died May 25.

Joseph S. Santin

MYSTIC, Conn. — Joseph S. Santin, 90, former owner of Santin Chevrolet here, died May 31. He ran the store for 52 years. It was sold in 1972 and later moved.

FORD

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models also are produced there.

By counting the 1991s as imports, Ford expects to boost its domestic CAFE average by 0.6 or 0.7 mpg, Kulp said. Ford's imported fleet rating will correspondingly fall by more than that amount, Kulp said, because of the volume of the Crown Victoria/Grand Marquis.

Last year, Ford sold more than 228,000 Crown Victoria and Grand Marquis models. They are powered by a 5-liter V-8 engine and are among the largest and least fuel efficient in Ford's lineup. Their fuel economy is listed at 23 mpg for CAFE purposes.

Kulp said that with sales trends favoring larger cars, Ford has decided to balance the mix of small and large cars in the domestic and imported fleets. The alternative was to build some large cars offshore, he said.

"The intention is to make sure that both groups remain comfortably above the 27.5-mpg standard," Kulp said.

Ford also plans to increase its domestic fuel economy rating by including two models that are currently counted as imports — the Ford Probe, which will offer a Ford V-6 in 1990, and the replacement for the Mercury Tracer.

The Tracer, built at a Ford plant in Hermosillo, Mexico, will be replaced next spring under the same program that will provide a successor for the Ford Escort.

The new model is expected to carry 75 percent North American content, Kulp said. Even though it will be assembled in Mexico, it will count as a domestic by virtue of its North American content level.

The Probe, built for Ford by Mazda in Flat Rock, Mich., is also expected to reach the 75 percent domestic content mark within a year, he said.

North American sourcing for the Grand Marquis/Crown Victoria will probably fall in the 73 to 74 percent range, Kulp said. He said all the non-North American parts will be "relatively small components." A Ford source said they will come from nine countries.

In 1985, Ford threatened similar action on the Crown Victoria/Grand Marquis. At the time, Ford and General Motors petitioned NHTSA to lower CAFE requirements from 27.5 mpg to 26 mpg.

Ford dropped the plan after CAFE standards were rolled back. But the idea was resurrected about a year ago, Kulp said, partly out of the belief the rollbacks were temporary.

The offshore sourcing changes planned for 1991 will not involve engines, the source said. Ford is expected to equip the EN53 series with a new 4.6-liter modular V-8 slated for production in Romeo, Mich., next year.

Ford has taken issue with U.S. fuel standards by arguing that the system unfairly punishes domestic full-line manufacturers. The company contends that U.S. makers are at a competitive disadvantage because their strength is in full-sized cars — and consumers want them. As a result, Ford argues, it must sell high volumes of domestic small cars — where imports are strongest — to offset sales of less-fuel-efficient large cars.

It advocates a system that would require each maker to improve fuel economy by an equal percentage.

Don Richardson, president of Canadian Auto Workers Local 1520 in St. Thomas, acknowledged that Ford faced a difficult decision. But he maintained that Ford could meet fuel economy requirements without reducing North American content. He fears loss of jobs.

Ford to shut two Escort plants again

By Kathy Boyer
AUTOMOTIVE NEWS STAFF REPORTER

For the second time in a month, Ford Motor Co. will close its Escort assembly plants due to slow sales. The company's Wayne, Mich., and Edison, N.J., facilities will be idled June 26.

The one-week shutdowns will trim the industry's weekly output by about 8,500 units and will result in temporary layoffs for 4,600 hourly workers. Ford idled both Escort plants in late May and early June because of slow sales. Those were the first shutdowns of U.S. Ford plants for high inventories since 1983. On June 1, Ford had a 94-day supply of Escorts.

Chrysler Motors is completing an expansion and modernization of its 52-year-old Warren, Mich., truck plant. A four-week model changeover began today, and the plant is expected to be ready to resume production in July.

The plant's paint shop will be enlarged by 90,000 square feet, and another 24,000 square feet will be added to the final assembly area. Hourly and salaried employees have been involved in extensive training programs in preparation for assembly of the Dodge Ram, Dodge Dakota and the new Dakota Club Cab pickups.

Meanwhile, General Motors idled the Allante line at its Detroit-Hamtramck plant today due to high inventories. The line is expected to resume output June 26.

Earlier this month, GM ended production of its compact Buick Skyhawk. The Skyhawk, which was built at the Janesville, Wis., plant, will not be offered in the 1990 model year.

Last week's scheduled domestic auto output of 141,151 rose slightly (0.46 percent) over the previous week's 140,501 but fell substantially (14.81 percent) from the year-ago week's 165,688.

So far this year, 3,567,509 cars have been built, 2.64 percent more than the 3,475,808 completed last year at this point.

Truckmakers targeted last week's production at 88,887, a bit below (0.25 percent) the prior week's 89,110 but slightly above the year-ago week's 88,129.

Year-to-date, 2,133,917 trucks have been produced, 5.34 percent more than the 2,025,712 built last year at this time.

Canada output takes big jump

Last week's scheduled Canadian car output of 24,447 was 29.20 percent more than the prior week's 18,922 but 1.14 percent below the year-ago week's 24,730.

So far this year, 481,413 cars have been assembled, 15.59 percent fewer than the 570,350 completed last year at this point.

Truck output was targeted at 21,332 units last week, 18.67 percent more than the previous week's 17,976 and 5.99 percent above the year-ago week's 20,127.

Year-to-date, 479,748 trucks have been built, 4.36 percent more than the 459,705 assembled last year at this time.

U.S. CAR	Week Ended June 17, 1989	Week Ended June 18, 1988	Week Ended June 10, 1989	June to Date	Jan. 1 to June 17, 1989	Jan. 1 to June 18, 1988
Horizon	500	2,161	849	1,638	9,325	46,844
Sundance	2,400	2,666	2,564	5,800	57,148	51,816
Reliant	0	3,174	0	0	0	52,370
Acclaim	3,700	0	3,315	8,316	61,538	0
Caravelle	0	0	0	0	0	9,843
Gran Fury	0	303	0	0	0	6,711
Total Plymouth	6,600	8,304	6,728	15,754	128,011	167,584
LeBaron K	0	0	0	0	0	7,955
LeBaron J	0	2,707	2,443	3,332	55,273	37,370
LeBaron GTS	0	269	0	0	2,946	4,546
N. Yorker C-Class	1,700	2,941	1,794	4,081	52,934	57,686
Fifth Avenue	0	327	0	0	0	14,638
Total Chrysler	1,700	6,244	4,237	7,413	111,153	120,495
Omni	500	2,098	941	1,725	10,694	46,406
Daytona	0	2,697	1,592	2,184	46,536	36,328
Shadow	2,100	2,359	2,149	4,968	54,986	53,156
Aries	0	2,829	0	0	0	44,520
Dodge 600	0	0	0	0	0	8,658
Dynasty	2,800	2,380	3,106	6,877	75,769	53,359
Lancer	0	166	0	0	1,528	4,988
Spirit	2,300	0	2,177	5,364	54,485	0
Diplomat	0	501	0	0	0	10,792
Total Dodge	7,700	13,030	9,965	21,117	243,998	258,207
CHRYSLER MOTORS	16,000	27,578	20,930	44,285	483,162	546,286
Escort	7,654	9,407	2,966	12,326	159,749	184,022
Mustang	4,510	3,782	4,096	9,932	109,338	102,173
Tempo	2,830	3,877	2,932	6,706	75,300	95,747
Taurus	8,022	9,096	7,926	18,451	189,314	195,820
Thunderbird	3,651	3,538	3,585	8,280	82,863	78,582
Total Ford Div.	26,667	29,700	21,505	55,697	616,564	656,344
Topaz	1,570	1,561	1,468	3,494	34,310	35,819
Cougar	2,429	2,344	2,413	5,541	68,837	58,249
Sable	2,503	2,859	2,479	5,778	61,559	68,116
Total Mercury	6,502	6,764	6,360	14,813	164,706	162,184
Continental	1,461	916	1,408	3,330	34,676	22,124
Mark VII	441	494	452	1,047	12,307	12,144
Lincoln	2,792	2,885	2,741	6,455	64,200	70,671
Total Lincoln	4,694	4,295	4,601	10,831	111,183	104,939
Total L-M Division	11,196	11,059	10,961	25,644	275,889	267,123
FORD MOTOR CO.	37,863	40,759	32,466	81,341	892,453	923,467
Skyhawk	0	3	0	0	6,857	11,352
Skylark/Somerset	1,405	1,651	1,406	3,269	28,345	23,480
Century	2,750	3,388	2,759	6,400	59,486	53,592
Riviera	491	131	224	789	11,319	3,344
Electra	1,332	2,246	1,367	3,376	40,837	42,872
LeSabre (fwd)	100	2,500	88	1,503	68,580	61,142
LeSabre (rwd)	4,172	197	4,186	6,384	11,942	4,825
Reatta	0	193	0	58	3,140	2,883
Total Buick	10,250	10,309	10,030	23,780	230,306	203,491
Cimarron	0	0	0	0	0	3,696
Eldorado	901	1,009	948	2,167	18,945	21,065
Seville	656	611	708	1,595	13,925	13,103
Brougham (rwd)	715	397	622	1,536	18,749	17,576
Deville (fwd)	4,135	3,549	3,983	9,429	105,264	87,470
Allante	75	0	75	174	1,586	1,135
Total Cadillac	6,482	5,566	6,336	14,901	158,471	144,045
Cavalier	6,973	9,223	6,922	16,556	187,431	171,247
Camaro	2,725	2,501	2,757	6,379	40,282	42,578
Celebrity	2,235	5,237	2,222	5,136	64,111	89,879
Corsica/Beretta	9,030	9,204	8,916	20,758	203,359	196,129
Caprice	4,485	4,861	4,094	9,865	97,596	96,629
Corvette	560	447	560	1,299	12,696	10,283
Total Chevrolet	26,008	31,473	25,471	59,987	625,777	606,745
Calais	2,195	2,648	2,207	5,105	47,411	58,290
Firenza	0	0	0	0	0	5,220
Cutlass Ciera	1,990	1,761	1,937	4,539	41,909	6,239
Cutlass Supreme	0	4,026	0	1,007	51,125	100,249
Toronado	0	419	300	398	4,801	9,167
88 (fwd)	2,904	3,456	2,871	6,649	78,665	81,197
88 (rwd)	210	133	172	454	3,966	5,877
Olds 98	1,065	1,593	1,069	2,487	39,856	40,036
Total Oldsmobile	8,364	14,036	8,556	20,640	267,735	306,275
Sunbird	3,147	2,418	3,068	7,239	74,332	52,552
Grand Am	4,800	4,943	4,834	11,185	120,280	119,561
Firebird	1,355	1,677	1,357	3,144	33,365	31,365
Grand Prix	0	3,756	0	1,275	69,565	60,851
Pontiac 6000	830	1,669	874	2,028	40,551	37,691
Bonneville	2,116	2,734	1,882	4,434	47,485	55,338
Safari/Parisienne	100	86	96	233	2,700	4,098
Fiero	0	488	0	0	0	9,650
Total Pontiac	12,348	17,771	12,131	29,538	388,278	371,126
GENERAL MOTORS	63,452	79,155	62,524	148,846	1,670,567	1,633,682
DIAMOND-STAR	1,561	0	1,557	3,618	23,345	0
HONDA	7,750	7,525	7,684	17,832	182,944	176,391
Civic	2,700	2,483	2,699	6,221	61,882	47,484
Accord	5,050	5,042	4,985	11,612	121,062	128,907
MAZDA†	4,390	2,681	4,452	10,255	111,788	41,946
NISSAN	2,800	2,724	3,302	6,976	56,312	47,982
NUMMI	4,000	3,299	4,265	9,649	94,944	76,922
Corolla	1,600	1,196	1,686	3,818	38,403	28,295
Geo Prizm/Nova	2,400	2,103	2,597	5,831	56,541	48,627
TOYOTA	3,335	0	3,301	7,648	51,996	0
VOLKSWAGEN	0	1,967	0	0	0	29,122
Golf/GTI	0	1,967	0	0	0	23,569
Jetta	0	0	0	0	0	5,553
Total Cars, U.S.	141,151	165,688	140,501	330,450	3,567,509	3,475,808
Total Cars, Canada	24,447	24,730	18,922	52,549	481,413	570,350
U.S., Canada Cars	165,598	190,418	159,423	382,999	4,048,922	4,046,158
U.S., Canada Cars and Trucks	275,817	298,674	266,509	637,187	6,682,587	6,531,575

Monthly estimates may contain ± or ∓ one or two units due to rounding.
†—Total includes the 50-50 and Ford Probe.

CANADIAN CAR	Week Ended June 17, 1989	Week Ended June 18, 1988	Week Ended June 10, 1989	June to Date	Jan. 1 to June 17, 1989	Jan. 1 to June 18, 1988
Premier	1,275	0	1,307	2,582	21,216	33,569
CHRYSLER MOTORS	1,275	0	1,307	2,582	21,216	33,569
Tempo	3,360	3,256	0	4,697	69,432	96,136
Topaz	1,440	1,604	0	2,020	29,416	33,529
Crown Victoria	2,420	2,808	2,617	6,095	63,868	66,791
Grand Marquis	2,380	2,873	2,604	6,013	69,642	66,685
FORD MOTOR CO.	9,600	10,541	5,221	18,824	232,358	263,141
Celebrity	995	615	995	2,380	9,839	10,680
Cutlass Ciera	2,565	7,032	2,559	6,162	80,486	135,466
Lumina	6,066	0	4,814	12,916	51,655	0
Pontiac 6000	0	1,393	0	0	0	26,592
Regal	1,666	3,769	1,652	4,109	37,338	80,139
GENERAL MOTORS	11,292	12,809	10,020	25,573	179,318	252,877
HONDA	1,650	1,200	1,699	4,018	39,023	17,403
TOYOTA	450	0	495	1,120	5,355	0
VOLVO	180	180	180	432	4,143	3,360
Total Cars, Canada	24,447	24,730	18,922	52,549	481,413	570,350

U.S. TRUCK☆	Week Ended June 17, 1989	Week Ended June 18, 1988	Week Ended June 10, 1989	June to Date	Jan. 1 to June 17, 1989	Jan. 1 to June 18, 1988
Caravan	2,000	2,370	2,456	5,274	53,911	48,100
Dakota	2,200	1,978	2,307	5,453	55,180	55,827
Caravan C/V	100	413	150	303	4,279	7,588
Ram pickups	2,200	1,909	2,317	5,472	55,247	34,594
Total Dodge	6,500	6,670	7,230	16,502	168,617	146,109
Cherokee	5,200	3,837	4,611	11,457	112,994	88,336
Comanche	600	818	578	1,381	15,633	22,959
Grand Wagoneer	300	350	325	733	6,668	7,280
Wagoneer	100	135	92	231	4,196	6,301
Total Jeep	6,000	5,140	5,606	13,803	139,491	130,076
Voyager	1,800	2,189	2,259	4,814	51,085	44,320
Town & Country	100	0	223	397	1,016	0
Total C-P Div.	1,900	2,189	2,482	5,211	52,101	44,320
CHRYSLER MOTORS	14,400	13,999	15,318	35,215	360,209	320,505
Aerostar	5,010	4,454	4,892	11,466	118,591	104,779
Bronco	1,435	1,318	1,401	3,344	40,225	29,683
Bronco II	2,974	2,546	2,968	6,718	64,003	65,362
Econoline	5,070	5,232	5,218	11,970	119,793	120,070
Heavy trucks	1,300	1,715	1,277	2,995	32,680	33,645
Light trucks	11,716	10,270	11,613	27,029	269,173	246,519
Ranger	7,624	7,849	7,626	17,189	168,195	177,130
Total Ford Div.	35,129	33,384	34,995	80,712	810,660	777,188
FORD MOTOR CO.	35,129	33,384	34,995	80,712	810,660	777,188
Astro	2,977	2,935	3,060	7,059	81,406	82,759
Blazer	684	595	546	1,441	13,704	13,517
Mediums/Heavies	0	266	0	0	1,312	8,785
P-Model	868	949	810	1,968	17,065	18,900
Pickups	8,075	7,297	7,946	18,528	192,582	161,290
S-10	4,707	7,073	5,067	10,763	128,530	139,880
S-10 Blazer	3,960	4,374	3,[illegible]	8,964	92,303	79,634
Sportsvan/Van	1,916	2,359	1,[illegible]46	3,680	46,836	41,863
Suburban	1,595	1,798	1,549	3,746	37,936	35,759
Total Chevrolet	24,782	27,646	23,891	56,149	611,674	582,387
Jimmy	316	193	168	550	4,256	3,984
Mediums/Heavies	0	759	0	0	1,496	19,120
P-Model	100	106	139	283	2,288	2,753
Pickups	2,335	1,641	2,389	5,460	57,400	49,890
S-15	1,086	1,355	1,156	3,188	31,934	32,560
S-15 Jimmy	1,060	897	1,090	2,495	26,342	20,842
Safari	783	767	813	1,876	20,933	21,149
Suburban	601	578	595	1,422	15,131	16,769
Vandura/Rally Vans	546	653	317	1,046	12,751	17,478
Total GMC	6,807	6,950	6,667	16,320	172,531	184,545
GENERAL MOTORS	31,589	34,605	30,558	72,469	784,205	766,932
NAVISTAR	1,849	1,765	1,883	4,245	42,027	42,466
NISSAN	2,470	1,626	2,906	6,167	60,686	53,171
AM GENERAL	450	450	450	1,044	10,530	10,710
MISCELLANEOUS	3,000	2,300	3,000	7,000	65,600	54,740
Total Trucks, U.S.	88,887	88,129	89,110	207,152	2,133,917	2,025,712

CANADIAN TRUCK	Week Ended June 17, 1989	Week Ended June 18, 1988	Week Ended June 10, 1989	June to Date	Jan. 1 to June 17, 1989	Jan. 1 to June 18, 1988
Caravan	2,988	2,950	2,985	6,373	72,146	71,588
Caravan C/V	336	334	387	838	6,139	7,044
Ram Wagon	1,690	556	0	1,902	14,788	12,000
Ram Van	660	1,459	0	1,208	34,560	30,979
Total Dodge	5,674	5,299	3,372	10,922	127,633	121,611
Voyager	2,820	2,720	2,839	6,555	64,063	65,379
Total Plymouth	2,820	2,720	2,839	6,555	64,063	65,379
Wrangler	1,700	1,089	1,863	4,168	40,095	24,145
Total Jeep	1,700	1,089	1,863	4,168	40,095	24,145
CHRYSLER MOTORS	10,194	9,088	8,074	21,645	231,791	211,135
FORD MTR. (lt. trks.)	3,648	3,515	3,500	8,520	82,524	85,046
Light trucks	3,510	3,319	3,502	8,500	75,954	73,094
Vans	1,574	1,473	791	2,947	31,949	30,202
Total Chevrolet	5,084	4,792	4,293	11,446	107,903	103,296
Light trucks	1,370	1,901	1,412	3,309	35,763	38,825
Vans	766	664	423	1,462	15,728	16,058
Total GMC	2,136	2,465	1,835	4,771	51,491	54,883
GENERAL MOTORS	7,220	7,257	6,128	16,217	159,394	158,149
NAVISTAR	270	267	274	654	6,099	5,375
Total Trks., Canada	21,332	20,127	17,976	47,036	479,748	459,705
U.S., Canada Trks.	110,219	108,256	107,086	254,188	2,613,665	2,485,417

☆—Includes window van production. *—Estimated.
Jeep includes commercial only. AM General includes government-destined vehicles.
Miscellaneous includes estimates for Mack, Volvo-White, Kenworth, Peterbilt, Freightliner, Mercedes-Benz, etc.
Monthly estimates may contain error of one or two units due to rounding.